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SUBJECT: MOROCCO'S MIDDLE CLASS PART III: DISCONTENT WITH  
PROSPECTS, MIDDLE CLASS TURNS TO ISLAMISTS

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This is the final piece in a three part series on Morocco's  
middle class.

[1](#)1. (SBU) Summary: Private and public sector efforts to  
strengthen Morocco's middle class have done little to quell  
the increasing discontent among the lower echelons of  
Morocco's middle class. Conversations with contacts in  
academia and civic society reveal that this segment of  
society is increasingly turning to Morocco's  
Islamist-oriented Party of Justice and Development (PJD),  
perceived as more capable of facilitating middle class  
aspirations.

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Public & Private Efforts to Boost the Middle Class  
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[1](#)2. (SBU) Both the private and public sector have tried to  
raise the income level of and expand Morocco's middle class,  
even before King Mohammed VI raised the profile of the issue  
last year. The 2009 Finance Law continued the country's  
incremental reform and lowering of income tax levels, with  
the top rate dropping to 40 percent from 42 percent. This  
amounts to USD 37 to 75 a month per income earner in the  
middle class. Moreover, the percentage of income sheltered  
from taxes was increased from 20 to 23. Professor Bekouchi of  
Hassan II University told Econoff that Morocco needs exactly  
these types of fiscal measures to increase middle class  
incomes and enhance the social mobility of the poor.

[1](#)3. (SBU) Private sector initiatives have also targeted the  
middle class. Morocco's leading business journal,  
L'Economiste, recently reported on the mechanism through  
which Moroccan financial institutions are "Courting the  
Middle Class." It noted that the country's largest banks  
have focused recently on increasing their product lines and  
services for Small and Medium Enterprises (SMEs), primarily  
owned by middle class households. Nevertheless, not all  
banks have been proactive. Albert Le Dirachi, the bank  
Societe General's CEO, admits his bank does not have a  
specific strategy in mind to target Morocco's middle class.  
(Note: Morocco's Central Bank recently asked banks to  
facilitate loan approvals to increase opportunities for  
financing, in particular for SMEs. End Note.)

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Private & Public Partnerships  
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14. (SBU) Some innovative partnerships between the private and public sector have also taken hold to bolster Morocco's middle class. The GOM has recently come to the conclusion that a collaborative multi-sector plan is the only feasible approach to strengthen Morocco's middle class, asserts a senior official at Morocco's largest bank Attijariwafa. This partnership approach is evident in efforts to increase the accessibility of middle class residential units. Attijariwafa recently signed a convention with the National Federation for Real Estate Promotion and the Ministry of Housing to offer government credit guarantees for first time home buyers. To make the 25 year loans (capped at USD 94,000) even more attractive, Attijariwafa will waive all closing costs until September 2009.

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The Islamists' Appeal  
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15. (SBU) Despite these private and public sector efforts to assist Morocco's middle class, which are likely to be extended as the government focuses on the issue, discontent continues to increase among the lower echelons of this group. The private think tank, the Center for Social, Economic, and Managerial Studies (CESEM) explains that individuals in the lower echelon operate in Morocco's informal economy and consequently do not benefit from changes in fiscal policy. Moreover, only about a quarter of Morocco's middle class will meet the income qualification criteria required for a government backed residential loan, notes a senior official at BMCE, one of Morocco's largest banks. Another senior official at BMCE said that in effect, Morocco's middle class

is increasingly divided into two distinct entities. The top one-third does business with Morocco's traditional financial institutions like BMCE, but the income of the other two-thirds is too low to permit it to access those institutions. Morocco's Islamist-oriented Party of Justice and Development is doing a fantastic job at courting that lower echelon of the country's middle class via a series of programs that provide counseling on tax and budget issues and on rare occasion interest-free loans, he observed.

16. (SBU) Conversations with contacts in academia and civil society suggest that the lower echelons of Morocco's middle class are increasingly receptive to the PJD. With a reputation for rejecting corruption, a populist approach to both domestic and international affairs (including activism on the Palestinians and Gaza) and an Islamic conservative but flexible approach on social issues (Ref C), this Party has gained wide appeal with the majority of Morocco's middle class, who believe in the PJD's ability to harness their aspirations. The PJD has increasingly talked about coordinating its stance on economic issues in parliament with the Socialist USFP, a member of the ruling coalition, although queasiness about such an alliance in both parties has so far kept this in the rhetorical realm.

17. (SBU) Sociologist Michael Peraldi of CESEM observed that the PJD's leadership, drawn from Morocco's middle class (in contrast to the elites who populate leadership ranks of other political parties), has been highly successful in its recruitment and mobilization of the semi-professionals and skilled craftsmen who make up 2/3 of Morocco's middle class. Fatiha Rahal, a private school teacher who identifies herself with Morocco's middle class, said the country's traditional political institutions are no longer in tune with Morocco's economic reality. A member of the pro-palace Authenticity and Modernity Party (PAM), Fatiha said she now planned on voting for the PJD in the upcoming municipal election not because of her belief in the PJD's political or religious ideology, but for their understanding of the economic plight of Morocco's middle class.

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Comment  
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18. (SBU) The government's inability to reach an accepted definition of who is Morocco's middle class (Ref A) will likely continue to impair the country's efforts to bolster this stagnating segment of society (Ref B). In part, the problem stems from the Government's desire to maintain a healthy tax revenue for its overall budget situation. Nevertheless, the lower echelons of Morocco's middle class will likely grow more disenchanted with economic and political institutions if both private and public efforts to strengthen this segment of society prove to be unsuccessful. In this atmosphere, the Party of Justice and Development, generally respected for its probity, will likely continue to gain adherents, particularly in recruiting the lower echelons of Morocco's middle class, with possible implications for the upcoming municipal elections. Public and private partnerships may help reverse this economic slide and disenchantment, but real improvements in economic prospects depend on acceleration of the economic and political reforms that are at the core of our Mission efforts here in Morocco.

MILLARD